

# **SEMPERVIRENS FUND**

Financial Statements

June 30, 2022

with summarized comparative totals for June 30, 2021

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Sempervirens Fund

### ***Opinion***

We have audited the financial statements of Sempervirens Fund (the "Fund"), a California nonprofit land conservation organization, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

### ***Report on Summarized Comparative Information***

We have previously audited the Fund's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Land Holdings on page 24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**BAKER TILLY US, LLP**

*Baker Tilly US, LLP*

San Francisco, California  
October 25, 2022

**SEMPERVIRENS FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2022**  
**(with comparative totals for June 30, 2021)**

	2022	2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 11,737,763	\$ 8,642,130
Certificates of deposit and treasury bills	1,710,251	1,244,856
Grants and contributions receivable	849,521	712,379
Prepays and other current assets	200,057	155,716
Total current assets	14,497,592	10,755,081
<b>Conservation Land and Easement Holdings, net</b>	29,487,720	27,671,215
<b>Other Assets</b>		
Investments	830,501	969,607
Note receivable	18,261	18,261
Artwork	52,500	52,500
Charitable remainder trusts, net	-	231,121
Total other assets	901,262	1,271,489
Total assets	\$ 44,886,574	\$ 39,697,785
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 447,394	\$ 281,554
Accrued payroll and other liabilities	179,700	164,504
Notes payable, current portion	-	340,000
Rental deposits	-	4,964
Total current liabilities	627,094	791,022
<b>Long-Term Liabilities</b>		
Notes payable, net of current portion	2,415,000	-
Total liabilities	3,042,094	791,022
<b>Net Assets</b>		
Without donor restrictions		
Conservation land and easement holdings, net	27,072,720	27,331,215
Board designated - conservation opportunity fund	970,828	-
Board designated - board initiative fund	823,834	841,476
Board designated - other	1,245,704	3,125,830
Undesignated	1,429,449	-
	31,542,535	31,298,521
With donor restrictions		
Time and purpose restricted	10,112,836	7,392,754
Donor restricted endowment	189,109	215,488
	10,301,945	7,608,242
Total net assets	41,844,480	38,906,763
Total liabilities and net assets	\$ 44,886,574	\$ 39,697,785

**SEMPERVIRENS FUND**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2022**  
**(with summarized comparative totals for the year ended June 30, 2021)**

	<b>2022</b>			<b>2021</b>
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUE</b>				
Grants and contributions of cash and financial assets	\$ 4,428,282	\$ 4,774,624	\$ 9,202,906	\$ 11,149,028
Grants and contributions of nonfinancial assets	81,375	-	81,375	31,500
Investment income (loss), net	(97,376)	(20,785)	(118,161)	190,031
Net change in value of charitable remainder trusts	-	(4,237)	(4,237)	34,234
Paycheck Protection Program loan forgiveness income	-	-	-	281,092
Fire insurance proceeds	-	-	-	313,837
Other income	303	-	303	102
	<u>4,412,584</u>	<u>4,749,602</u>	<u>9,162,186</u>	<u>11,999,824</u>
Net assets released from restrictions	2,055,899	(2,055,899)	-	-
Total support and revenue	<u>6,468,483</u>	<u>2,693,703</u>	<u>9,162,186</u>	<u>11,999,824</u>
<b>EXPENSES</b>				
Program services:				
Land	1,721,173	-	1,721,173	1,266,758
Stewardship	1,710,294	-	1,710,294	979,410
Education and outreach	680,529	-	680,529	585,679
Trees and groves	128,967	-	128,967	97,350
Total program services	<u>4,240,963</u>	<u>-</u>	<u>4,240,963</u>	<u>2,929,197</u>
Support services:				
General and administrative	551,574	-	551,574	410,980
Fundraising	1,431,932	-	1,431,932	1,520,740
Total support services	<u>1,983,506</u>	<u>-</u>	<u>1,983,506</u>	<u>1,931,720</u>
Total expenses	<u>6,224,469</u>	<u>-</u>	<u>6,224,469</u>	<u>4,860,917</u>
<b>CHANGE IN NET ASSETS</b>	244,014	2,693,703	2,937,717	7,138,907
Net assets, beginning of year	31,298,521	7,608,242	38,906,763	31,767,856
Net assets, end of year	<u>\$ 31,542,535</u>	<u>\$ 10,301,945</u>	<u>\$ 41,844,480</u>	<u>\$ 38,906,763</u>

**SEMPERVIRENS FUND**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2022**  
**(with summarized comparative totals for the year ended June 30, 2021)**

	Program Services					Support Services			Total 2022	Total 2021
	Land	Stewardship	Education and Outreach	Trees and Groves	Total Program Services	General and Administrative	Fundraising	Total Support Services		
<b>SALARIES AND RELATED EXPENSES</b>										
Salaries	\$ 290,650	\$ 347,597	\$ 295,729	\$ 78,894	\$ 1,012,870	\$ 276,569	\$ 562,197	\$ 838,766	\$ 1,851,636	\$ 1,566,231
Payroll taxes and employee benefits	80,749	64,724	48,388	16,914	210,775	56,194	136,266	192,460	403,235	344,482
Total salaries and related expenses	371,399	412,321	344,117	95,808	1,223,645	332,763	698,463	1,031,226	2,254,871	1,910,713
<b>OTHER EXPENSES</b>										
Special projects	465,570	878,390	-	-	1,343,960	-	-	-	1,343,960	612,347
Contractual services	203,332	66,335	139,667	4,393	413,727	90,829	34,542	125,371	539,098	353,956
Direct mail and direct responses	-	-	20,896	-	20,896	-	511,307	511,307	532,203	524,956
Stewardship expenses	-	290,641	-	-	290,641	-	-	-	290,641	138,332
Space and rental costs	22,934	31,382	15,258	15,258	84,832	64,216	45,920	110,136	194,968	237,805
Advertising and marketing	-	-	104,539	-	104,539	-	-	-	104,539	81,542
Telephone and internet	3,367	2,605	2,912	5,520	14,404	30,556	56,740	87,296	101,700	62,498
Bank fees	-	-	-	-	-	-	45,379	45,379	45,379	41,175
Insurance	4,779	13,656	3,181	3,181	24,797	9,877	9,564	19,441	44,238	43,386
Newsletter costs	-	-	43,912	-	43,912	-	129	129	44,041	59,346
Dues and subscriptions	14,380	270	120	68	14,838	-	7,951	7,951	22,789	684
Travel costs	2,965	6,171	3,012	1,167	13,315	406	5,860	6,266	19,581	7,172
Land expense	16,937	-	-	-	16,937	-	-	-	16,937	20,855
Memberships	12,214	-	-	-	12,214	179	1,479	1,658	13,872	21,119
Meeting costs	1,041	688	599	224	2,552	4,210	6,868	11,078	13,630	2,666
Supplies and materials	451	5,585	1,162	1,239	8,437	2,575	909	3,484	11,921	14,636
Postage	200	200	530	219	1,149	2,281	3,829	6,110	7,259	11,158
Leased equipment	-	-	-	-	-	6,949	-	6,949	6,949	7,194
Printing costs	134	-	624	1,615	2,373	1,340	2,652	3,992	6,365	9,040
Utilities	-	-	-	-	-	5,137	-	5,137	5,137	5,215
Interest expense	2,975	-	-	-	2,975	-	-	-	2,975	8,720
Training costs	-	2,050	-	275	2,325	-	340	340	2,665	475
Taxes and fees	-	-	-	-	-	256	-	256	256	182
Grants and contributions	-	-	-	-	-	-	-	-	-	87,250
Total other expenses	751,279	1,297,973	336,412	33,159	2,418,823	218,811	733,469	952,280	3,371,103	2,351,709
Depreciation and amortization	598,495	-	-	-	598,495	-	-	-	598,495	598,495
Total expenses	\$ 1,721,173	\$ 1,710,294	\$ 680,529	\$ 128,967	\$ 4,240,963	\$ 551,574	\$ 1,431,932	\$ 1,983,506	\$ 6,224,469	\$ 4,860,917



**SEMPERVIRENS FUND**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2022**  
**(with comparative totals for the year ended June 30, 2021)**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Grants and contributions	\$ 5,326,375	\$ 5,555,297
Proceeds from charitable remainder trusts	226,884	-
Investment income	34,671	29,386
Other receipts	303	313,939
Payments for special projects	(1,348,924)	(612,347)
Payments for salaries and related expenses	(2,239,675)	(1,861,757)
Payments for stewardship expenses	(290,641)	(138,332)
Payments for land and related expenses	(16,937)	(20,855)
Payments for interest expense	(2,975)	(8,860)
Payments for other operating expenses	(1,513,716)	(1,598,446)
<b>Net cash provided by operating activities</b>	<u>175,365</u>	<u>1,658,025</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of land	(2,415,000)	-
Purchase of investments	(3,708,516)	(4,206,792)
Proceeds from sale of investments	3,229,395	4,395,212
<b>Net cash provided by (used in) investing activities</b>	<u>(2,894,121)</u>	<u>188,420</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payment on note payable	(340,000)	(330,000)
Proceeds from note payable	2,415,000	-
Proceeds from capital campaign contributions	3,739,389	5,016,880
<b>Net cash provided by financing activities</b>	<u>5,814,389</u>	<u>4,686,880</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,095,633	6,533,325
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>8,642,130</u>	<u>2,108,805</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 11,737,763</u>	<u>\$ 8,642,130</u>

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Description of Organization***

Sempervirens Fund (the “Fund”) is a California nonprofit land conservation organization that has been protecting the coast redwoods of the Santa Cruz Mountains since 1900. Its mission is to preserve redwood forests, wildlife habitats, watersheds, and other important natural features of California’s Santa Cruz Mountains and to encourage people to appreciate and enjoy this environment. Since its founding, the Fund has protected more than 35,000 acres of redwood forestland, most of which have been incorporated into Big Basin Redwoods, Butano, Castle Rock, and Portola Redwoods State Parks.

The Fund currently has four programs:

***Land Acquisition and Disposition (“Land”)*** – the Fund works closely with California State Parks, other public agencies, and local nonprofits to make strategic land purchases that create, expand, and link redwood forests and parks. In most cases, the Fund acquires fee title to land with the intention of eventually transferring it into public ownership; however, in some cases, it acquires and holds conservation easements that provide certain rights such as trail access, or prevent future subdivision, development or timber harvesting on privately held parcels of land. When appropriate, the Fund also enters into collaborative arrangements with other land conservation organizations, providing cash or other assets to support priority conservation projects. The Fund’s participation appears as direct expenses within land program expenses.

***Stewardship*** – properties that are held by the Fund require ongoing stewardship to ensure that the land is in good condition and the forests remain healthy. Stewardship activities include removing debris, maintaining trails, monitoring wildlife, restoring waterways and controlling erosion, clearing invasive plants, and planting new seedlings as needed.

***Education and Outreach*** – the Fund regularly communicates general information about its work, and opportunities to find recreation in the Santa Cruz Mountains. The communication strategies include publications, other printed materials, website, social media and electronic newsletters. The outreach activities include events, speakers, hiking and volunteer opportunities. The focus of this fund is to educate new groups of people about the Fund’s work, introduce them to outdoor recreation opportunities, and cultivate their interest to become new stewards of the redwood habitat.

***Trees and Groves*** – the Fund provides the opportunity for its donors to dedicate a tree or grove located within one of the State Parks of the Santa Cruz Mountains. The Fund has entered into an agreement with California State Parks whereby the Fund is permitted to sell the naming rights to the trees.

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(continued)

***Basis of Accounting***

The Fund prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America for Not-for-Profit Organizations (“GAAP”). The Fund maintains its books and records on the accrual basis of accounting, and accordingly these financial statements reflect all significant receivables, payables, and accrued liabilities.

***Net Assets***

The net assets of the Fund are reported in two classes as follows:

***Net Assets without Donor Restrictions***

Net assets without donor restrictions consist of net assets and activities which represent the portion of expendable funds that are available to support the Fund’s operations. A portion of these net assets are designated by the Board of Directors for specific purposes (refer to Note 11).

***Net Assets with Donor Restrictions***

Net assets with donor restrictions include a portion of net assets for which use is limited by donor-imposed restrictions that either expire by passage of time or can be fulfilled and removed by certain actions of the Fund (refer to Note 12). Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity (refer to Note 13).

***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the Fund considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

***Grants and Contributions Receivable***

Grants and contributions receivable are recorded when the grant or contribution is unconditional in substance. If the grant or contribution is restricted by the donor, it is reported as an increase in net assets with donor restrictions. The Fund uses the allowance method to record estimated uncollectable grants and contributions receivable. The allowance is based on prior years’ experience and management’s analysis of the collectability of grants and contributions receivable. Management has determined that no allowance for uncollectable grants and contributions receivable is necessary as of June 30, 2022.

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(continued)

***Grants and Contributions Receivable*** (continued)

Conditional grants are recognized at their fair value once conditions associated with the grant have been fulfilled. The Fund obtained conditional grants under cost reimbursement agreements totaling \$1,166,555, of which \$641,476 was recognized in prior years. During the year ended June 30, 2022, the Fund recognized revenue under these grants of \$134,596 related to conditions met during the year. At June 30, 2022, the remaining conditional grant totaled \$390,483, which will be recognized as conditions are met.

Grants and contributions receivable that extend beyond one fiscal year are discounted to reflect the net present value. The discounts on these amounts are computed using a risk-free interest rate applicable to the year in which the promises were received plus an additional risk premium factor. At June 30, 2022, the Fund determined that all grants and contributions receivable were collectable within one year. Accordingly, no discounts were recorded.

***Conservation Land and Easement Holdings***

The intent of the Fund is to sell land or transfer it to public agencies. Under Accounting Standards Codification ("ASC") 360, *Property Plant and Equipment*, a long-lived asset to be sold shall be classified as held for sale in the period in which all of the following criteria are met:

- Management has the authority to approve the sale and commits to a plan to sell the asset,
- The asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
- An active program to locate a buyer and other actions required to complete the plan to sell have been initiated;
- The sale of the asset is probable and transfer of the asset is expected to qualify for recognition as a completed sale, within one year;
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and,
- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(continued)

***Conservation Land and Easement Holdings*** (continued)

Land is recorded at the lower of cost or fair market value at the date of acquisition except when acquired at less than appraised value in a bargain purchase. Easement holdings are recorded at the lower of cost or fair market value. When fair market value is greater than consideration paid by the Fund, a contribution is recorded from the seller to the Fund for the difference. The Fund performs periodic assessments of land carrying values and records any decreases in value as necessary. Any such decreases are recorded as program expenses in the Statement of Activities as impairment loss. The Fund does not appraise all of its land holdings each year. However, when information is obtained concerning the current valuation of a land holding, a determination is made by management about whether a new appraisal is warranted. During the year ended June 30, 2022, there were no events or conditions that indicated that the Fund's land may have been impaired and therefore there was no impairment loss recorded.

In years when land is conveyed to a public agency and an updated appraisal, obtained for sales purposes, is higher than the carrying value, the Fund will record any substantial difference between consideration received from the agency and the revised value as a contribution of land value to the agency.

Land improvements that are not classified as held for sale under ASC 360, *Property Plant and Equipment*, are depreciated using the straight-line method over an estimated useful life of 10 years. Land improvements that meet the criteria of being classified as held for sale are not depreciated.

Land with a life estate is recorded at the lower of cost or market value, less a discount to present value. For the year ended June 30, 2022, the Fund had one parcel of land with a life estate value of \$313,250.

***Property and Equipment***

Property and equipment consist of leasehold improvements, office furniture, and equipment which are recorded at cost, if purchased, or at fair market value on the date of donation, if donated. Assets costing \$5,000 or more individually will be capitalized and depreciated in accordance with the Fund's depreciation policies. Repairs and maintenance are expensed as incurred.

The Fund computes depreciation for office furniture and equipment using the straight-line method over estimated useful lives, ranging from four to ten years. Leasehold improvements are amortized over the lesser of the lease term or estimated useful life of the improvement.

At June 30, 2022, the Fund's property and equipment with a cost of \$340,383 were fully depreciated or amortized.

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(continued)

***Investments***

Certificates of deposit with original maturity dates of more than three months are stated at quoted market prices. All investments, other than certificates of deposit, are classified as long-term as the funds are not expected to be utilized in the next year.

A capital investment pool was established to serve as a future potential source of funds for large scale land projects. The investments consist of mutual funds, and exchange-traded and closed-end funds which are stated at fair market value using quoted market prices.

The endowment investments consist of mutual funds and exchange-traded funds which are stated at fair market value using quoted market prices. Investment income earned on donor restricted endowment investments is recorded in the Statement of Activities as income with donor restrictions, until such time as the investment income is appropriated for expenditure. Income earned on board designated endowment investments is recorded in the Statement of Activities as income without donor restrictions.

***Charitable Remainder Trusts***

Charitable remainder trusts are recorded at the fair value of their assets, less a discount to present value (refer to Note 6).

***Fair Value Measurements***

The Fund accounts for financial instruments which are required to be measured at fair value on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Fund uses various valuation approaches. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Fund. Unobservable inputs are inputs that reflect the Fund's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(continued)

***Fair Value Measurements*** (continued)

The hierarchy is broken down into three levels based on the observability of inputs as follows:

- *Level 1* inputs to the valuation methodology include unadjusted quoted prices for identical assets or liabilities in active markets.
- *Level 2* inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- *Level 3* inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investments and may require a high level of judgment to determine the fair value.

***Revenue Recognition***

Unconditional promises to give to the Fund are recorded as revenue at fair value when the promise is made. Contributions are recorded as support with or without donor restrictions based on whether they include donor stipulations that limit the use of the contributions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Bequests are recognized on an accrual basis when they are irrevocable, unconditional and measurable. At that time, the Fund recognizes the contribution at fair value, net of a discount for likely fees and taxes, based on historical experience.

***Donated Services***

During the year ended June 30, 2022, the Fund received pro bono legal services of \$81,375, which was recorded as grants and contributions of nonfinancial assets on the Statement of Activities. Pro bono legal services recognized comprise professional services from attorneys advising the Fund on various administrative legal matters. Pro bono legal services are valued and reported at its estimated fair value based on current rates for legal services.

During the year ended June 30, 2022, volunteers contributed their time to the Fund, primarily for the building and maintenance of trails and the restoration program in the Santa Cruz Mountains State Parks. The value of this contributed time is not reflected in the financial statements as these contributed services did not require specialized skill.

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(continued)

***Functional Expense Allocation***

Costs that are directly attributed to a program are charged to that program. Other costs and support services are allocated to programs, fundraising, and general and administrative expenses based on the amount of time spent on the programs or support services by the Fund's employees.

***Income Taxes***

The Fund has been granted tax exempt status under Section 501(c)(3) by the Internal Revenue Service (IRS) and under Section 23701(d) by the California Franchise Tax Board.

Each year, management considers whether any material tax position the Fund has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Fund has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

***Use of Estimates***

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

***Comparative Financial Information***

The financial statements include certain prior year summarized comparative information in total but not by net asset class or natural expenses by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Fund's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

***Recently Issued Accounting Standards***

During February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842). ASU 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. FASB has issued subsequent standards that deferred the implementation date. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Fund is currently assessing the effect that Topic 842 (as amended) will have on its results of operations, financial position and cash flows.



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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(continued)

***Subsequent Events***

The Fund has evaluated subsequent events through October 25, 2022, which represents the date that the financial statements were available to be issued.

**2. NEWLY ADOPTED ACCOUNTING PRONOUNCEMENT**

During the year ended June 30, 2022, the Fund adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The Fund has adjusted the presentation of these financial statements accordingly. ASU 2020-07 has been applied retrospectively to all periods presented.

As a result of the adoption of ASU 2020-07, the Statement of Activities for the year ended June 30, 2021, was adjusted as follows:

	<u>After Adoption of ASU 2020-07</u>	<u>As Originally Presented</u>	<u>Effect of Change</u>
Grants and contributions	\$ -	\$ 11,180,528	\$ (11,180,528)
Grants and contributions of cash and financial assets	\$ 11,149,028	\$ -	\$ 11,149,028
Grants and contributions of nonfinancial assets	\$ 31,500	\$ -	\$ 31,500

**3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

As a land trust, the Fund strives to maintain significant liquid financial assets for operating expenditures and land and easement acquisitions.

The Fund operates with a balanced budget and an expectation of surplus operating revenues to be accumulated for future land acquisitions. The Board of Directors may designate some surplus operating revenues into a variety of designated funds. With the exception of the land easement monitoring fund and conservation easement defense fund, all Board designated funds are available to meet cash needs for general expenditures at the discretion of the Board. Donor restricted funds are maintained to be expensed for specific purposes.

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)**

The table below presents financial assets available to fund general operating expenditures within one year at June 30, 2022:

Financial assets at June 30, 2022:	
Cash and cash equivalents	\$ 11,737,763
Certificates of deposit	1,710,251
Grants and contributions receivable	849,521
Investments	830,501
Note receivable	18,261
	<hr/>
	15,146,297
Less amounts not available to be used within one year:	
Donor restricted endowment invested in perpetuity	(186,456)
Unappropriated donor restricted endowment earnings	(2,653)
Purpose restricted net assets	(10,065,390)
Board designated land easement monitoring fund	(325,749)
Board designated conservation easement defense fund	(67,524)
Note receivable	(18,261)
	<hr/>
	(10,666,033)
Financial assets available to meet general operating expenditures within one year	<hr/> <u>\$ 4,480,264</u>

**4. CONCENTRATIONS**

***Credit Risk***

Financial instruments that potentially subject the Fund to concentrations of credit risk consist principally of cash and cash equivalents. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently \$250,000 per depositor). The Fund has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

***Investment Risk***

Investments in general are exposed to various risks, such as interest rate, credit and overall market volatility. Investments are insured up to the limit set by the Securities Investor Protection Corporation ("SIPC"). As of June 30, 2022, the Fund held investments in excess of the SIPC insurance limits (currently \$500,000 per depositor).

**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**4. CONCENTRATIONS** (continued)

**Major Donors**

For the year ended June 30, 2022, there was no donor concentrations of grants and contributions revenue. At June 30, 2022, 62% of grants and contributions receivable was due from three donors.

**Geographic**

The Fund's land holdings are concentrated in the Santa Cruz Mountains. Accordingly, there is a concentrated risk related to fires and other natural disasters that may impact the area.

**5. CONSERVATION LAND AND EASEMENT HOLDINGS**

At June 30, 2022, conservation land and easement holdings consists of the following:

	<b>Conservation Land Holdings</b>	<b>Conservation Land Improvements</b>	<b>Easement Holdings</b>	<b>Total</b>
Cost	\$ 25,568,257	\$ 5,984,946	\$ 525,002	\$ 32,078,205
Less: accumulated impairment loss	(795,000)	-	-	(795,000)
Less: accumulated depreciation	-	(1,795,485)	-	(1,795,485)
	<u>\$ 24,773,257</u>	<u>\$ 4,189,461</u>	<u>\$ 525,002</u>	<u>\$ 29,487,720</u>

At June 30, 2022, none of the Fund's conservation land holdings and related land improvements were classified as held for sale.

**6. CHARITABLE REMAINDER TRUSTS**

The Fund was the beneficiary of certain irrevocable charitable remainder trusts. The Fund did not have the use of these assets until the remainder benefits were realized. Under the terms of these remainder trusts, the donors received annuity payments from the trust assets. The Fund had determined that the liability related to the beneficiary interests is equivalent to the future income growth of the trust assets and therefore, it was not recorded in the financial statements.

During the years ended June 30, 2022 and 2021, the last remaining beneficiaries of the charitable remainder trusts passed away. During the year ended June 30, 2022, the related trust assets were fully distributed to the Fund.

**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**7. INVESTMENTS**

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The table below presents the level hierarchy of investments measured at fair value on a recurring basis as of June 30, 2022:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 1,710,251	\$ -	\$ 1,710,251
Mutual funds	73,094	-	-	73,094
Exchange-traded and closed-end funds	757,407	-	-	757,407
	\$ 830,501	\$ 1,710,251	\$ -	\$ 2,540,752

The table below presents the fund allocation of investments as of June 30, 2022:

Operating pool fund (certificates of deposit)	\$ 1,710,251
Board designated endowment fund	461,493
Donor restricted endowment fund	189,109
Capital pool fund	179,899
	\$ 2,540,752

**8. NOTES PAYABLE**

In May 2019, the Fund entered into a loan agreement for \$1,000,000 with an unrelated party which bore interest at 1% per annum. Annual principal installment payments of \$330,000 were due on or before April 1, 2020 and 2021 and \$340,000 was due on or before April 1, 2022. At June 30, 2022, there was no outstanding balance on the loan.

In January 2022, the Fund entered into a loan agreement for \$2,415,000 with an unrelated party. The loan is non-interest bearing and is due on or before January 21, 2026, with option to extend through January 21, 2030. If the option to extend is exercised, the loan will bear interest at a rate of 1% per annum, payable on January 31 and July 31 of each calendar year, effective as of the date of extension through the date that the entire principal amount of the loan has been repaid. A discount and related contribution revenue should be recorded in connection with loans of cash that are non-interest bearing or that have below-market interest rates. The discount, as computed using a risk-free interest rate, was determined to be immaterial to the Fund's financial statements taken as a whole. Accordingly, no discount was recorded.

**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**9. RETIREMENT PLAN**

The Fund has a 403(b) retirement income account plan (the "Plan") for its employees. Starting from the first day of hire, employees may defer a portion of their salaries to the Plan. The Fund may make discretionary matching contributions on an annual basis ranging from 6% to 8% of each participant's eligible salary for employer contribution. Employer contributions to the Plan amounted to \$121,274 for the year ended June 30, 2022.

**10. COMMITMENTS**

The Fund had a lease agreement for an office space, with a subtenant for a portion of the space, which expired in April 2022.

Effective March 2022, the Fund entered into a six-month office lease agreement for a new office which is subject to automatic renewals periods of six months. Minimum monthly rent for the lease was \$3,579 from March 2022 through September 2022. Effective October 2022, the Fund renewed the lease which extended the expiration date to March 2023 and increased the minimum monthly rent to \$3,975.

Future minimum payments under leases are as follows:

Year ending June 30,	Facilities	Equipment	Total
2023	\$ 34,588	\$ 2,616	\$ 37,204
2024	-	1,526	1,526
	<u>\$ 34,588</u>	<u>\$ 4,142</u>	<u>\$ 38,730</u>

During the year ended June 30, 2022, total office and equipment rent expense was \$178,717, net of sublease income \$66,766.

**11. BOARD DESIGNATED NET ASSETS**

At June 30, 2022, Board designated net assets were designated for the following purposes:

Conservation land and easement holdings, net	\$ 27,072,720
Conservation opportunity fund	970,828
Board initiative fund	823,834
Board designated endowment fund	598,344
Land easement monitoring fund	325,749
Minton property	254,087
Conservation easement defense fund	67,524
	<u>\$ 30,113,086</u>

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**12. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of June 30, 2022 consists of the following:

**Subject to purpose and time restrictions:**

Time restriction	\$ 47,446
Program restricted:	
Capital campaign: Redwoods Now, For All, Forever	8,790,713
Land acquisition	422,856
Mill Creek	294,889
Santa Cruz mountain stewardship	166,354
Planted trees	158,810
Big Basin Recovery	143,227
Cemex cement plant	49,028
National Monument	20,000
Carbon project	13,407
Other program services	6,106
	<u>10,065,390</u>
Total subject to purpose and time restrictions	<u>10,112,836</u>

**Donor restricted endowment:**

Amounts to be maintained in perpetuity	186,456
Unappropriated endowment earnings	2,653
	<u>189,109</u>
Total donor restricted endowment	<u>\$ 10,301,945</u>

**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**12. NET ASSETS WITH DONOR RESTRICTIONS** (continued)

For the year ended June 30, 2022, net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restriction specified by donors as follows:

**Time restricted:**

Interest in charitable remainder trusts, net	\$	226,884
Other time restrictions		62,160
		289,044

**Program restricted:**

Land acquisition		558,683
Mill Creek		392,977
Big Basin Recovery		356,527
Capital campaign: Redwoods Now, For All, Forever		273,373
Clematis program		109,596
Santa Cruz mountain stewardship		52,961
Fire prevention		17,144
		1,761,261

**Donor restricted endowment - appropriated earnings**

		5,594
Total subject to purpose and time restrictions	\$	2,055,899

**13. ENDOWMENT FUND**

The Fund's endowment consists of a donor restricted endowment created as the result of a bequest of \$186,456 received with the stipulation that it be used for endowment purposes with income henceforth to be used for the Fund's operations. The Fund's endowment also consists of funds designated by the Board of Directors to function as endowments. All investment income earned on the donor restricted endowment fund is treated as income with donor restrictions until appropriated by the Fund's Board. All investment income earned on the board designated endowment fund is treated as income without donor restrictions.

The State of California enacted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") effective January 1, 2009, the provisions of which apply to endowment funds existing on or established after that date. Net asset classifications of donor-restricted endowment funds subject to an enacted version of UPMIFA have been accounted for appropriately in these financial statements. Additional disclosures about the Fund's endowment funds subject to UPMIFA have been included for the year ended June 30, 2022.

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**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**13. ENDOWMENT FUND** (continued)

***Interpretation of Relevant Law***

The Fund's Board has interpreted California's UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Fund classifies as net assets with donor restrictions held in perpetuity (1) the original value of gifts donated to the donor-restricted endowment, (2) the original value of subsequent gifts donated to the donor-restricted endowment, and (3) additions to the donor-restricted endowment in accordance with donor directions. The remaining portion of the donor-restricted endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Fund in a manner consistent with the standard of prudence prescribed by UPMIFA.

***Spending Policy***

In accordance with the State of California's UPMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment funds;
- (2) The purposes of the endowment funds;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Fund; and
- (7) The investment policies of the Fund.

Up to 3% of the fair value of the assets held under the donor-restricted endowment is appropriated for spending from the donor restricted endowment fund, and any additional return of the endowment assets is retained to grow the endowment fund. All income earned from the board designated endowment assets is to be retained to grow the endowment fund but can be utilized at the discretion of the Board.

***Investment Policy, Strategies, and Objectives***

The Fund has adopted investment and spending policies for the endowment assets that attempt to maximize total return consistent with an acceptable level of risk, and to provide a predictable stream of funding to programs supported by its endowment. Under this policy, as approved by the Board, the Endowment's funds are invested in a manner that is intended to produce results that exceed the price and yield results while assuming a moderate level of investment risk. The Fund expects its endowment funds, over time, to provide an average rate of return approximating inflation plus the annual spending rate. Actual returns in any given year may vary from this amount.



**SEMPERVIRENS FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**13. ENDOWMENT FUND** (continued)

***Investment Policy, Strategies, and Objectives*** (continued)

To satisfy its long-term rate-of-return objectives, the Fund relies on a total return in which investment returns are achieved through both capital appreciation and current yield. The Fund targets a diversified asset allocation that helps to achieve its long-term objectives within prudent risk constraints.

***Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Fund to retain as a fund of perpetual duration. No deficiencies were noted at June 30, 2022.

Endowment net asset composition by type of fund as of June 30, 2022 was as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual in Nature	
Board designated endowment funds	\$ 598,344	\$ -	\$ -	\$ 598,344
Donor restricted endowment funds	-	2,653	186,456	189,109
Endowment net assets	<u>\$ 598,344</u>	<u>\$ 2,653</u>	<u>\$ 186,456</u>	<u>\$ 787,453</u>

Changes in endowment net assets during the year ended June 30, 2022 were as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual in Nature	
Endowment net assets, June 30, 2021	\$ 1,199,521	\$ 29,032	\$ 186,456	\$ 1,415,009
Investment loss, net	(31,177)	(20,785)	-	(51,962)
Transfer to Board designated conservation opportunity fund	(570,000)	-	-	(570,000)
Appropriations	-	(5,594)	-	(5,594)
Endowment net assets, June 30, 2022	<u>\$ 598,344</u>	<u>\$ 2,653</u>	<u>\$ 186,456</u>	<u>\$ 787,453</u>

**SUPPLEMENTARY INFORMATION**

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**SEMPERVIRENS FUND**  
**SCHEDULE OF LAND HOLDINGS**  
**For the Year Ended June 30, 2022**

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Conservation land and easement holding and land improvements activity:

Balance, beginning of year, June 30, 2021	\$ 27,671,215
Purchase of Norabella property	2,415,000
Depreciation expense on land improvements	<u>(598,495)</u>
Balance, end of year, June 30, 2022	<u>\$ 29,487,720</u>